

Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 00425 052106Z

70

ACTION EUR-12

INFO OCT-01 ISO-00 AEC-07 AID-05 CEA-01 CIAE-00 CIEP-02

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 OES-05

SP-02 SS-15 STR-04 TRSE-00 FRB-01 FEA-01 PA-02 PRS-01

USIA-15 /109 W

----- 042309

P R 051758Z FEB 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 5573

INFO AMCONSUL CALGARY

AMCONSUL TORONTO

UNCLAS OTTAWA 0425

E.O. 11652: N/A

TAGS: ENRG CA

SUBJECT: ENERGY: SYNCRUDE PROJECT

REF: OTTAWA 415

FOLLOWING IS TEXT OF ENERGY MINISTER MACDONALD'S FEBRUARY 4
EVENING STATEMENT TO THE PARLIAMENT ANNOUNCING THAT "THE
SYNCRUDE PROJECT WILL GO AHEAD":

BEGIN QUOTE. AS I SPEAK TO YOU, THIS ANNOUNCEMENT IS BEING
MADE SIMULTANEOUSLY IN TWO PROVINCIAL CAPITALS BY THE GOVERN-
MENT OF ALBERTA AND THE GOVERNMENT OF ONTARIO. WE ARE ALL NEW
PARTNERS IN SYNCRUDE. WE HAVE JOINED TOGETHER WITH THREE OF
THE ORIGINAL SYNCRUDE PARTICIPANTS - IMPERIAL OIL LTD.,
CANADA-CITIES SERVICE LTD., AND GULF CANADA LTD. - TO ENSURE
THAT THIS PROJECT WILL BE ACCOMPLISHED. IMMEDIATELY, ACTIVITY
WILL BE STEPPED UP AT MILDRED LAKE TO COMPLETE THE SYNCRUDE
PLANT ON SCHEDULE, TO BRING ON STREAM BY 1978 THIS PLANT
WHICH WILL PROVIDE AT ULTIMATE CAPACITY MORE THAN 125,000
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 00425 052106Z

BARRELS PER DAY OF CRUDE OIL FOR CANADIANS.

WHEN ATLANTIC RICHFIELD CANADA LTD FIRST ANNOUNCED ITS WITHDRAWAL FROM THE PROJECT LATE LAST YEAR, BECAUSE OF DRASTIC INCREASES IN ESTIMATED CAPITAL AND OPERATING COSTS THE FEDERAL GOVERNMENT TOOK THE POSITION THAT IT WOULD DO ALL IT REASONABLY COULD DO, TO ASSURE THE SURVIVAL OF THE PROJECT. OUR EFFORTS, AND THOSE OF THE PROVINCES OF ALBERTA AND ONTARIO, AND OF IMPERIAL, GULF, AND CITIES SERVICE, HAVE BEEN INTENSE, CULMINATING IN A TEN-HOUR NEGOTIATING SESSION IN WINNIPEG YESTERDAY ATTENDED BY MY COLLEAGUE, THE PRESIDENT OF THE TREASURY BOARD AND MYSELF, THE PREMIER OF ONTARIO AND THE PREMIER OF ALBERTA, AND THE CHIEF EXECUTIVES OF THE THREE OIL COMPANIES.

AS A RESULT OF THESE NEGOTIATIONS, THE FEDERAL GOVERNMENT ON BEHALF OF THE CITIZENS OF CANADA HAS ACQUIRED A 15 PER CENT OWNERSHIP IN SYNCRUDE CANADA LTD. WE WILL OVER THE COURSE OF CONSTRUCTION OF THE PLANT, INVEST \$300-MILLION IN EQUITY FUNDS. I BELIEVE THIS INVESTMENT WILL PROVIDE AN AUSPICIOUS BEGINNING FOR THE PORTFOLIO OF PERTOCANADA.

THE PROVINCE OF ALBERTA WILL TAKE A 10 PER CENT OWNERSHIP IN SYNCRUDE WITH AN EQUITY INVESTMENT OF \$200-MILLION. AS WELL, ALBERTA WILL MAKE A LOAN TO THE PROJECT OF \$200-MILLION. IN ADDITION, ALBERTA WILL INVEST BETWEEN \$500-MILLION AND \$600-MILLION IN A POWER PLANT TO SERVE THE PROJECT, IN A PIPELINE, AND IN HOUSING AND OTHER INFRASTRUCTURE RELATED TO THIS MAJOR RESOURCE DEVELOPMENT PROJECT IN NORTHERN ALBERTA.

THE PROVINCE OF ONTARIO WHOSE PARTICIPATION IS MOST WELCOMED BY THE FEDERAL GOVERNMENT WILL ACQUIRE A FIVE PER CENT EQUITY INTEREST IN SYNCRUDE WITH AN INVESTMENT OF \$100-MILLION.

TOGETHER, THE THREE NEW PARTNERS IN SYNCRUDE WILL ACQUIRE A 30 PER CENT EQUITY INTEREST IN SYNCRUDE ON BEHALF OF THE PUBLIC.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 00425 052106Z

THE PRIVATE COMPANIES WILL RETAIN A 70 PER CENT EQUITY INTEREST IN THE PROJECT. TO DO THIS, THEY WILL HAVE TO INCREASE THEIR INVESTMENT FROM THE \$1,000-MILLION WHICH THEY HAD PREVIOUSLY COMMITTED BY A FURTHER INVESTMENT OF \$400-MILLION. HALF OF THIS INCREASE WILL BE FINANCED AS I HAVE ALREADY NOTED BY LOANS FROM THE ALBERTA GOVERNMENT.

MR. SPEAKER, THE SIGNIFICANCE OF THIS PROJECT GOES FAR BEYOND THE CONSTRUCTION OF THIS ONE PLANT, AS IMMENSE AN ENDEAVOUR AS IT IS. THERE ARE IN THE ATHABASKA OIL SANDS, AN ESTIMATED 300 BILLION BARRELS OF OIL. UNDER CURRENT AND IMMEDIATELY PROSPECTIVE CONDITIONS, HOWEVER, IT REMAINS A VERY HIGH-COST OIL, AND SPECIAL ARRANGEMENTS ARE NECESSARY TO ASSURE ITS COMMERCIAL PRODUCTION. OVER THE LONG RUN, THE TECHNOLOGICAL KNOWLEDGE AND EXPERIENCE THAT THE PARTNERS OF SYNCRUDE WILL GAIN WILL I AM SURE LEAD TO THE FURTHER SUCCESSFUL DEVELOPMENT OF THIS VAST RESOURCE. WE WILL AT THE SAME TIME CONTINUE OUR INTEREST IN THE DEVELOPMENT OF TECHNOLOGIES WHICH WILL EXPLOIT THE FULL POTENTIAL OF THE OIL SANDS. THE POTENTIAL OF THE OIL SANDS, ALONG WITH THE MACKENZIE DELTA, TO GIVE CANADA SELF-RELIANCE IN PETROLEUM, IS INDEED HEARTENING.

I BELIEVE TOO, THAT I NEED ONLY BRIEFLY DRAW THE ATTENTION OF HONOURABLE MEMBERS TO THE SUBSTANTIAL JOB-CREATING ASPECTS OF THIS PROJECT.

I WOULD CONCLUDE BY UNDERLINING: THERE IS MORE SIGNIFICANCE IN THIS AGREEMENT THAN THAT THE SYNCRUDE PROJECT WILL BE PROCEEDED WITH, FOR WHAT IT IN EFFECT SIGNIFIES IS THE POSITIVE, CO-OPERATIVE ATTITUDE OF GOVERNMENTS AND INDUSTRY IN THIS COUNTRY TO MEET THE CHALLENGE OF PROVIDING CANADIANS WITH SUFFICIENT AND SECURE ENERGY. END QUOTE.
PORTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, PETROLEUM, PROGRAMS (PROJECTS), SPEECHES, CENTRAL LEGISLATURE
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OTTAWA00425
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750042-0591
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750270/aaaacal.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 OTTAWA 415
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 18 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 APR 2003 by RuthemTJ>; APPROVED <09 JAN 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: SYNCRUDE PROJECT
TAGS: ENRG, CA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006